

Türkiye- Industrial Production

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February 2025 – IP contracts both yoy and mom

In February, calendar-adjusted industrial production (IP) fell by 1.9% yoy. On a 3-month average basis, 3.5% yoy growth in January decelerated to 2.5% in February. IP decreased by 1.6% mom. The 3-month (based on mom data) growth trend in January (5.5%) also slowed down to 4.6% growth in February. The 3-month growth trend which hit its highest level since November 2020 in the previous month weakened.

In February, the trend of headline IP decelerated compared to the previous month. The trend weakened in all main sub-groups. Despite deceleration, the strongest momentum was still in the energy group. Among the sectors, the weakening was significant in other transportation vehicles excepting automotive, and moderate in textile, clothing, chemicals, other minerals (glass, cement etc.), basic metals, metal products, electrical machinery and furniture lost momentum relative to January. There was no improving sector relative to the previous month. As of February, basic metal, electrical machinery, machinery&equipment and other transportation vehicles excluding automotive was the weakest sectors for IP, while the trend in energy and metal products was the strongest.

Decisions regarding the US tariffs have significantly increased volatility in financial markets. Uncertainty about the impact of the tariffs on the global economy continues. According to the latest decision, the imposition of high tariffs on countries other than China is postponed for 90 days and will be negotiated. On the other hand, the US tariff on China was raised to 125%. China's tariff on the US was also raised to 84%. The effects of these tariffs and the decisions to be taken within 90 days on global trade, growth and inflation are uncertain.

Leading indicators for the Turkish economy suggest that the moderate growth trend continued in the first quarter of 2025. Our growth forecast for 2025 is 3.5%. The US tax rate on exports from Türkiye was announced at the lowest level of 10%. However, global uncertainties and the volatility in financial markets pose risks to Turkish economic growth.

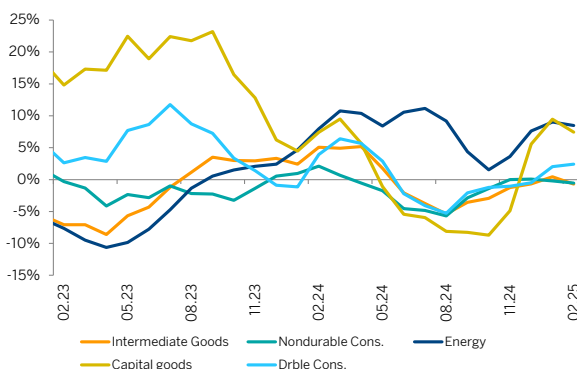
Industrial Production (calendar adjusted)

yoy change (calendar adj.)	Feb.25	4Q23	1Q24	2Q24	3Q24	4Q24
Total Industry	-1,9%	2,3%	5,4%	-2,0%	-3,7%	2,1%
Intermediate Goods	-3,3%	3,3%	4,9%	-2,1%	-3,6%	-0,7%
Durable Consumer Goods	0,3%	-0,9%	6,4%	-2,2%	-2,1%	-0,5%
Non-Durable Consumer Goods	0,4%	0,6%	0,7%	-4,6%	-2,9%	0,1%
Energy	8,0%	2,4%	10,8%	10,6%	4,4%	7,6%
Capital Goods	-6,7%	6,2%	9,5%	-5,4%	-8,3%	5,6%

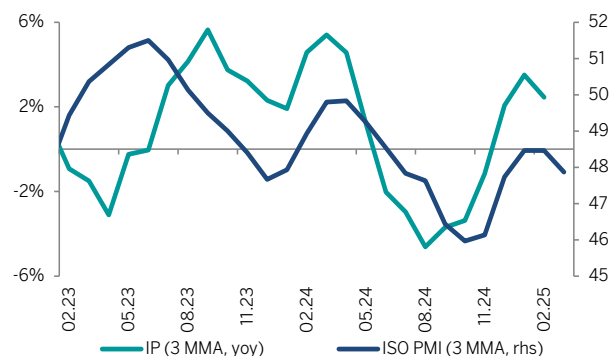
Industrial Production (calendar adjusted)



Main Groups (CA, 3month MA yoy change)



Growth Indicators (3MMA, yoy)

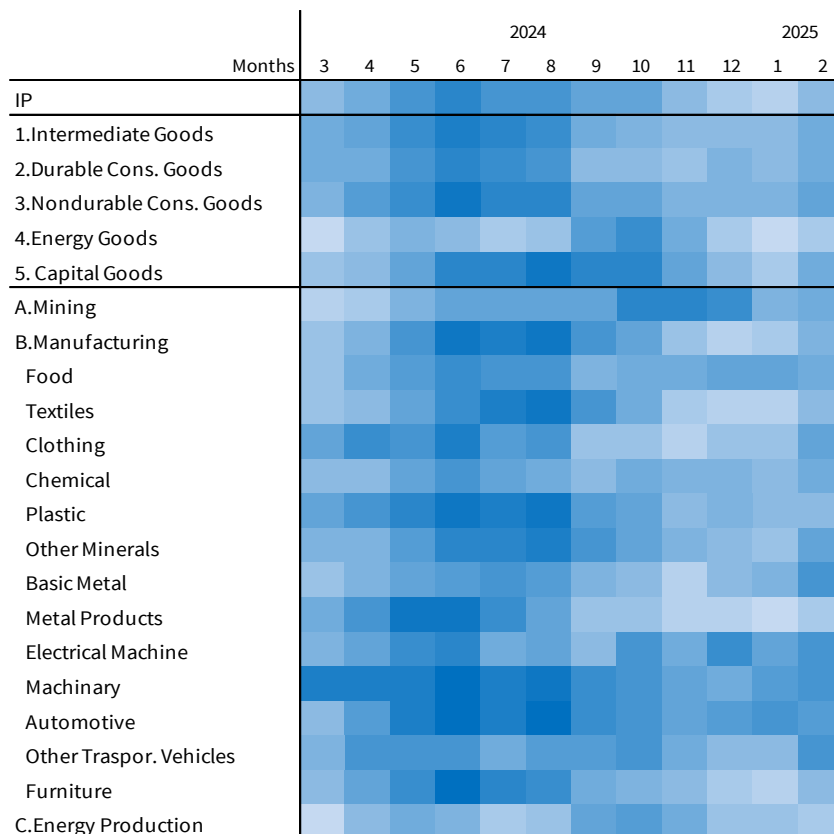


Source: Turkstat, Markit, Garanti BBVA Securities

Leading indicators point to an ongoing moderate growth trend in 1Q25

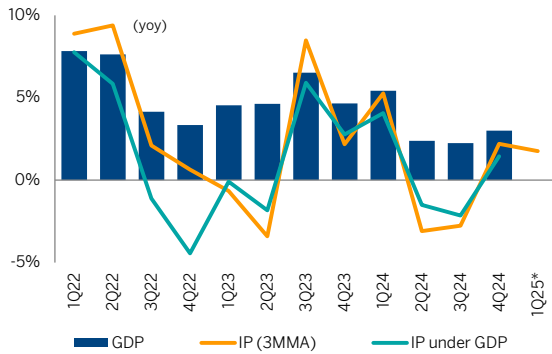
- In March, the global PMI index rose mom to 52.1 to its highest level since December. Activity pointed to weakening in the manufacturing sector, but recovery in the service sector. According to PMI data, on a 3-month basis, growth continued to strengthen in the Euro Area . On the other hand, the US and China growth rates decelerated. As of April, tariff discussions may lead to a decline in PMI data.
- In March, ISO manufacturing industry PMI in Türkiye fell by 0.6 pps to 47.9 on a 3-month basis. The trend indicates that the contraction deepened. Weakness in the manufacturing industry has been ongoing for 19 months.
- Türkiye's exports and imports rose by 2.5% and 4.6% yoy in March on a 3-month basis. The yoy rise in the foreign trade deficit decelerated to 11% from 27%. The number of tourists decreased on a yoy basis by 5% to 2.2 million visitors in February. The number of tourists fell yoy for the first time in 15 months. If the foreign trade deficit continues to widen and tourism revenues contract, the contribution of external demand to GDP growth may remain negative.
- The 4-week avg. of loan interest rates increased for general purpose by 2 pps, commercial by 1 pps, and for mortgage by 1 pps. There was no major change in auto loans as of the end of March. On a weighted average basis, loan interest rates were 60% for commercial and 67% for consumers. Compared to the previous month, the 13-week avg. total credit growth decelerated. Loan growth trend had been accelerating since December 2014.
- In March, confidence indices signaled a recovery in the outlook for all sectors excepting construction. On a 3-month avg. basis, the trend improved the most for consumer.
- The 3-month trend in the automobile and light commercial vehicle market continued to contract in March. The decline in production in the sector lost limited momentum in February.
- Even though sales in the housing sector decelerated in February relative to past month, they remained strong. The upward trend in house prices has stabilized.
- Signals regarding the investment tendency have pointed to slowdown. The capacity utilization rate continued to fall and capital goods' production trend has lost momentum.

Sectoral Production Evolution*



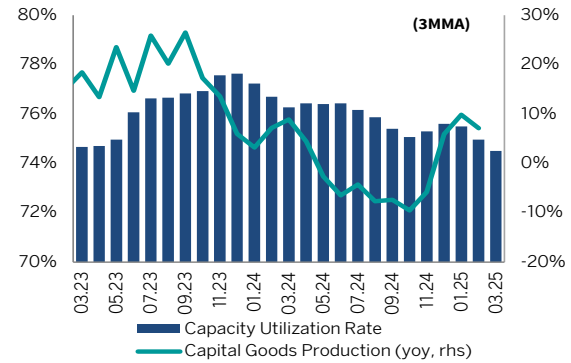
Source: Turkstat, Garanti BBVA Securities* Darker colors point to the worsening in the tendency

Turkish economy grew by 3.2% in 2024



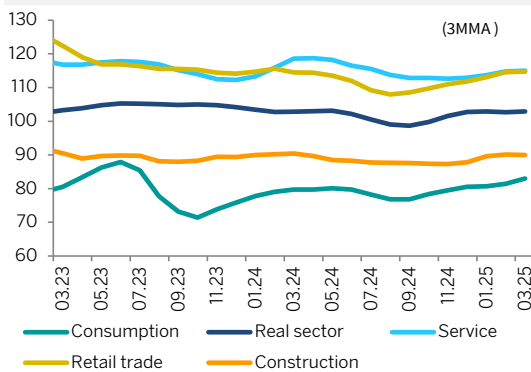
Source: Turkstat, Garanti BBVA Securities *past 3 months

Slowdown in investment outlook



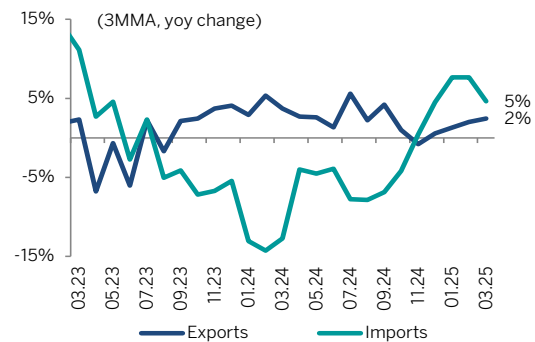
Source: CBRT, Turkstat, Garanti BBVA Securities

Confidence indices rose except construction



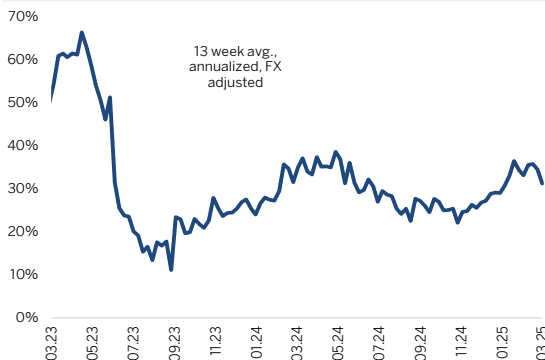
Source: Turkstat, Garanti BBVA Securities

Imports growth decelerates, but above exports



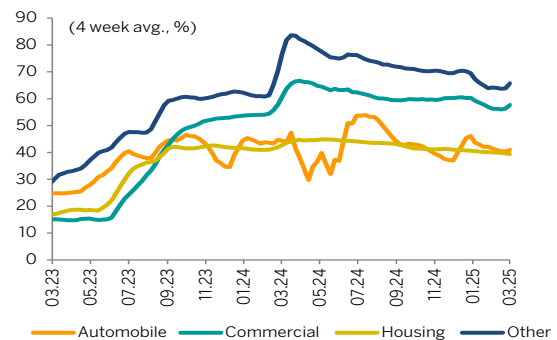
Source: Turkstat, Garanti BBVA Securities

Momentum loss in total loan growth



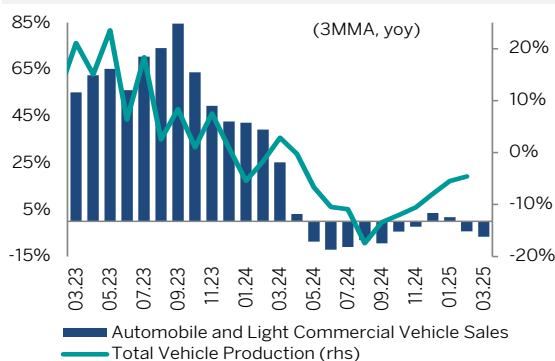
Source: BRSA, Garanti BBVA Securities

Loan interest rates increased except auto



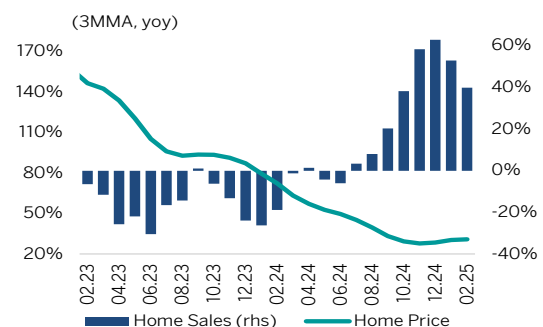
Source: CBRT, Garanti BBVA Securities

Automotive market continued to contract



Source: ODD, OSD, Garanti BBVA Securities

Stabilization in house price increase



Source: CBRT, Turkstat, Garanti BBVA Securities

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